

Irish Life publishes major analysis of Defined Contribution pension schemes

- **People need to start in pension plans as early as possible**
- **Employers need to do more to assist employees saving for retirement**
- **Average contribution of 10.3% of salary is not enough**

27 June 2014 – Irish Life, the market-leading provider of occupational Defined Contribution schemes in Ireland, has published a detailed ‘Retirement Readiness’ report, analysing potential outcomes for members of their book of Defined Contribution schemes. Almost 1,400 company schemes covering 38,000 members were analysed for the purpose of the report.

Based on the analysis, the average age that someone started a DC pension plan was 37 years of age and the average contribution rate was 10.3% of salary, including employer and employee contributions. The report highlights how this level of contribution will result in an insufficient pension at retirement with the average pension scheme member saving towards a pension in retirement of €7,900 per year or just 17% of their salary in retirement. This amount would be topped up by the State Pension in retirement but would still represent a significant drop in income for most people.

David Harney, managing director, Irish Life Corporate Business commented that employers should examine ways of encouraging greater engagement from their employees in their Defined Contribution schemes.

“Implementing an auto-enrolment system where staff members are automatically included in their company pension scheme unless they opt-out is one way of improving the number of employees who join a company’s schemes. Employers matching employee contributions up to certain levels and automatic-increase mechanisms, where employees sign-up now for an automatic increase in their pension contributions at a later date, would also help members to achieve greater financial stability in retirement.

“Our analysis also highlighted how important it is for people join pension schemes as early as possible. The current average joining age of 37 years does not give people the optimum amount of time to build their fund. Starting early and giving contributions as much time as possible to accumulate and take advantage of investment gains is just as important a factor for favourable outcomes as contribution levels and investment choices.” he said.

The Irish Life report found that 70% of DC pension scheme members under the age of 40 are invested in lifestyle strategies whereby members usually are invested in growth assets like equities when they are younger and move to safer, less volatile assets as retirement approaches.

The report also found some significant differences between genders with the average DC fund accumulated to date at just over €53,000 for males compared to just over €34,000, or 35% less, for females.

In conclusion, Irish Life warned that the combination of starting pensions too late and saving too little could leave many pensioners living out a financially uncomfortable retirement.

A copy of the report can be down loaded from:

http://www.irishlifecorporatebusiness.ie/sites/default/files/download/IL_Retirement_Readiness_Report.pdf

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About Irish Life:

Established in 1939, Irish Life is Ireland's leading life, investment and pension company. Irish Life is now part of the Great-West Lifeco group of companies, one of the world's leading life assurance organisations.

Founded more than a century ago in Winnipeg, Canada, Great-West Lifeco and its subsidiaries, including The Great-West Life Assurance Company, have a record for financial strength, earnings stability and consistently high ratings from the independent rating agencies. The Great-West Life Assurance Company has an AA rating for insurer financial strength from Standard & Poor's.

Irish Life is committed to delivering innovative products backed by the highest standards of customer service. And as part of Great-West, we have access to experience and expertise on a global scale, allowing us to continuously enhance our leading range of products and services.

Irish Life Assurance plc is regulated by the Central Bank of Ireland.